

RESOLUTION NO. 50-92

PALAMINO DRIVE COUNTY ROAD IMPROVEMENT DISTRICT
NAVAJO COUNTY, ARIZONA

RESOLUTION AUTHORIZING AND DIRECTING ISSUANCE AND SALE OF \$175,000 PRINCIPAL AMOUNT OF PALAMINO DRIVE COUNTY ROAD IMPROVEMENT DISTRICT, NAVAJO COUNTY, ARIZONA, ROAD IMPROVEMENT BONDS OF 1992, DETERMINING THE DETAILS THEREOF; DETERMINING AND PROVIDING FOR PAYMENT OF THE COST OF ISSUANCE; RATIFYING THE FORM OF NOTICE INVITING PROPOSALS FOR THE PURCHASE OF BONDS AND THE CERTIFICATION OF THE ASSESSMENT ROLL; AUTHORIZING THE BOARD TO EXECUTE THE CLOSING CERTIFICATE AND CERTIFICATE AS TO ARBITRAGE; AUTHORIZING THE CHAIRMAN TO EXECUTE THE REGISTRAR AND PAYING AGENT'S AGREEMENT; RATIFYING THE EXECUTION OF THE CONSTRUCTION CONTRACT

1. "Board" shall mean the Board of Supervisors of Navajo County, Arizona, ex officio Board of Directors of the Palamino Drive County Road Improvement District;
2. "Chairman" shall mean the Chairman of the Board of Supervisors for Navajo County, ex officio Chairman for the Palamino Drive County Road Improvement District.
3. "Clerk" shall mean Sharon Keene, the Clerk of Board of Supervisors of Navajo County, Arizona, ex officio Clerk of the Board of Directors of the Palamino Drive County Road Improvement District;
4. "District" or "Improvement District" shall mean the Palamino Drive County Road Improvement District authorized to grade, fill and pave roads within the District pursuant to Title 48, Chapter 6, Article 1 of the Arizona Revised Statutes;
5. "District Engineer" shall mean the Navajo County Engineer;
6. "Notice" shall mean the Notice Inviting Proposals for Purchase of Bonds;
7. "Project" shall mean the Palamino Drive County Road Improvement District Road Improvement of 1992;
8. "The Bond" or "The Bonds" shall mean the Palamino Drive County Road Improvement District Road Improvement Bonds of 1992;
9. "Treasurer" shall mean the Navajo County Treasurer;

WHEREAS, on January 20, 1992, the Board passed and adopted Resolution No. 9-92 which declared its intention to improve the property within the Improvement District through the construction and installation of road improvements and paving, determined that Improvement Bonds be issued to represent the costs and expenses thereof and that the costs and expenses thereof be assessed upon the Improvement District, and provided that the proposed work or improvement be performed under the provisions of Title 48 Chapter 6, Article 1, Arizona Revised Statutes; the said work or improvement, the Improvement District to be assessed, and the Improvement

Bonds to be issued are more fully described in Resolution No. 9-92 to which reference is hereby made for such descriptions; and

WHEREAS, Resolution No. 9-92 was published as prescribed by law; and

WHEREAS, the District caused to be posted along the line of said proposed work or improvement at not more than three hundred (300) feet apart, notices of the passage of Resolution No. 9-92 and further caused said notice to be mailed to all property owners within said Improvement District; and

WHEREAS, no protests against the proposed work or improvement or objections to the extent of the District described in Resolution No. 9-92 were found to be sufficient; and

WHEREAS, on March 23, 1992, the Board passed and adopted Resolution No. 32-92 which ordered that the proposed work or improvement be done as described in Resolution No. 9-92 and in accordance with the plans and specifications heretofore approved and adopted by the Board; and

WHEREAS, the Board prepared and executed a notice of the passage of Resolution No. 32-92 and a notice inviting proposals for the construction of the work or improvement and caused said notices to be posted and published as prescribed by law; and

WHEREAS, the Board has heretofore received bids for construction of the improvements described in Resolution No. 9-92 and as shown on the plans and specifications known as the Palamino Drive County Road Improvement District Road Improvement of 1992; and

WHEREAS, on April 27, 1992, the Board passed and adopted Resolution No. 39-92 which tentatively awarded the contract for the construction of the Project to Hatch Construction and Paving Inc. (the "Contractor"); and

WHEREAS, the total amount bid by the Contractor was \$108,200.25; the total amount of incidental expenses, as shown in the Engineer's official estimate, was \$150,000; and

WHEREAS, the District has heretofore levied and recorded an assessment for the District and the Board has delivered the Assessment to the Treasurer to collect the several assessments; and

WHEREAS, the Assessment was returned by the Treasurer as prescribed by law; and

WHEREAS, the certified list of unpaid assessments for the District has been filed with the Clerk; and

WHEREAS, at any time after the recording of the return of the Assessment and after awarding the contract, the Board may, by resolution, direct that Improvement Bonds be issued in an amount which shall not exceed the total amount of all unpaid assessments greater in amount than \$25.00 as shown on the certified list of unpaid assessments; and

WHEREAS, on June 1, 1992, the District and the Contractor entered into a contract whereby the Contractor agreed to construct the Project in accordance with the plans and specifications and its proposal; and

WHEREAS, the Board has caused to be executed and circulated a Notice Inviting Proposals for Purchase of Bonds; and

WHEREAS, the District has this date received bids for the purchase of the Bonds; and

WHEREAS, the best bid received, a copy of which is attached hereto, was the bid of Brook, Hishop, Stanley & Given offering to pay the par value for the Improvement Bonds, plus a premium of \$175,000 less a discount of \$6,125.00 plus interest on the Bonds from July 1, 1992 to the date the bonds are picked up and payment is made therefore and, upon such payment to the District, to accept the Bonds bearing interest at the rate set forth in the offer from the date of the Bonds to each Bond's respective maturity date; and

WHEREAS, by this Resolution the Board desires to (i) authorize the issuance of \$2,500,000 in principal amount of bonds payable from unpaid special assessments levied upon the lots, pieces and parcels of land included within the boundaries of the District benefiting from the Project; (ii) ratify all acts of the Board taken with respect to execution and circulation of the Notice and the receipt of such proposals; (iii) prescribe the form of such Bonds; (iv) ratify the certification of the assessment roll by the Superintendent of Streets and (v) ratify and confirm all prior acts of the Board, the District Engineer, the Superintendent of Streets, and the Treasurer, with respect to the Improvement District; and

WHEREAS, at all times pertinent hereto, the District has been in full compliance with Arizona Revised Statutes Section 38-431 et seq. pertaining to the conduct of its meetings and the provision of lawful notice therefore; and

WHEREAS, all things required to be done preliminary to the authorization and issuance of the Bonds have been duly done and performed in the manner required by law, and the Board is now empowered to proceed with the issuance and sale of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PALAMINO DRIVE COUNTY ROAD IMPROVEMENT DISTRICT, NAVAJO COUNTY, ARIZONA THAT:

Section 1. It is hereby determined that the amount of assessments with respect to the District remaining unpaid is \$174,396.97.

Section 2. The Notice, as published in the Official Statement relating to the Bonds dated June 24, 1992, is hereby incorporated into this Resolution and made a part hereof, as if fully set forth herein.

Section 3. For the purpose of paying the cost of the construction of the improvements and incidental costs, more particularly described in Resolution No. 9-92 adopted on January 20, 1992, there is hereby authorized the issuance and sale of \$175,000 in principal amount of Bonds

of the District to be designated "Palamino Drive County Road Improvement District, Navajo County, Arizona, Road Improvement Bonds of 1992" (the "Bonds"). The Bonds shall be dated July 1, 1992, shall be numbered, by maturity, from 1 consecutively upwards, shall be fully registered Bonds without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof except that bonds of the first maturity may be issued in a lesser denomination if the first maturity is not evenly divisible by \$5,000. The Bonds shall bear interest at the rate specified in the accepted offer for all maturities, from the most recent January 1 or July 1 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from their date, which interest shall be payable on July 1, 1993, and semiannually thereafter on January 1 and July 1 of each year during the term of each of the Bonds. The principal of the Bonds shall be payable on January 1 of the year in which they mature upon presentation and surrender thereof at the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona, as Bond Registrar and Paying Agent. Interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof, as shown on the registration books for this issue maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest which is not timely paid or for which provision has not been duly made shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever monies become available for payment of the overdue interest, and notice of the special record date shall be given to registered owners of the Bonds not less than ten days prior thereto. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America, the Bonds to mature on the dates and in the amounts as follows:

<u>Maturity Date</u>	<u>Amount</u>
January 1, 1993	\$10,000
January 1, 1994	\$15,000
January 1, 1995	\$15,000
January 1, 1996	\$15,000
January 1, 1997	\$15,000
January 1, 1998	\$20,000
January 1, 1999	\$20,000
January 1, 2000	\$20,000
January 1, 2001	\$20,000
January 1, 2002	\$25,000

The Valley National Bank of Arizona is hereby appointed as Bond Registrar and Paying Agent and the Chairman of the Board is hereby authorized and directed to enter into a contract with said bank covering such services. The Bond Registrar will maintain the books of the District for the registration of ownership of each Bond. A Bond may be transferred on the registration books upon delivery of the Bond to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner of the Bond to be transferred or his or her attorney-in-fact or legal representative and containing written instructions

as to the details of the transfer of such Bond. No transfer of any Bond shall be effective until entered on the registration books.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership in the registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered Bond (or Bonds) of authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Section. The District or the Bond Registrar will charge the registered owner of such Bond, for every such transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Bond shall be delivered.

The District and the Bond Registrar will not be required (i) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given; or (ii) to transfer any Bonds which have been selected or called for redemption.

Section 4. All Bonds are subject to redemption prior to their respective maturities. The Bonds are subject to redemption prior to maturity, in whole or in part, on January 1, 1993, or any interest payment date thereafter, by the payment of the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption, plus a premium equal to a percentage of the principal amount of the Bonds to be redeemed, as set forth below, payable from any source lawfully available therefor.

<u>REDEMPTION DATES</u>	<u>PREMIUM</u>
January 1, 1993 through and including July 1, 1994	103.0%
January 1, 1995 and July 1, 1995	102.5%
January 1, 1996 and July 1, 1996	102.0%
January 1, 1997 and July 1, 1997	101.5%
January 1, 1998 and July 1, 1998	101.0%
January 1, 1999 and July 1, 1999	100.5%
and thereafter without premium	

The first Bond to be redeemed shall be chosen by lot out of the Bonds of the maturity midway to the end of the term of the Bonds from the date of redemption. Successive Bonds shall be chosen by lot from the maturity on either side thereof commencing with the later adjacent maturity, so that Bonds called for redemption shall be a pro rata part of each maturity for which the current levy of the annual assessment installment has been posted to the records of the District or where annual assessment installments are collected as part of the property tax bill, posted to the tax bills. The Treasurer shall notify the Bond Registrar at least forty-five (45) days prior to a bond redemption date of the availability of funds to call any Bonds for redemption prior to maturity. Not more than thirty (30) nor less

than fifteen (15) days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any registered owner of Bonds shall not affect the validity of the proceedings for the redemption of bonds with respect to the registered owners of other Bonds. Any property owner who pays off his or her assessment prior to the end of the term of the bonds shall pay such amounts as set forth in Section 8 hereof.

Section 5. The Bonds shall be executed on behalf of the District by the facsimile signature of the Chairman of the District and attested by the facsimile signature of the Clerk of the Board. The Bonds shall not be valid unless and until authenticated by the Bond Registrar. In case any officer who shall have signed or authenticated any Bond (whether manually or by facsimile) shall cease to be such officer prior to delivery of the Bonds, the Bonds may nonetheless be delivered as though the person or persons who signed such Bond had remained in office.

Section 6. The Bonds shall be in substantially the form, as set forth in Exhibit "A" attached hereto, with such necessary or appropriate variations, omissions and insertions as may be consistent with the terms of this Resolution or the Notice and approved by the Board.

Section 7. Until the definitive Bonds are prepared, the Chairman and the Clerk of the District may execute, attest and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds shall be payable in the same manner as the interest on the definitive Bonds. The Bond Registrar and Paying Agent, upon the surrender of such temporary Bonds for exchange, and upon cancellation of such surrendered temporary Bonds, without charge to the registered owner thereof, shall deliver in exchange therefor, definitive Bonds, of the same aggregate principal amount and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

Section 8. For the purposes of providing for the payment of the principal of and interest on the Bonds, as and when the same shall become due and payable, the Governing Body of the District shall cause to be levied and collected the semi-annual assessment installments to be paid by the owners of properties within the Improvement District, all as shown on the recorded Assessment. All assessments shall be collectable in the manner and by the officers provided by the law for the collection and enforcement of general taxes levied by the District in accordance with Arizona Revised Statutes Section 48-946, as amended. All proceeds of such assessments shall be placed in a special fund to be created by the Treasurer to be known as the "Palamino Drive County Road Improvement District Special Bond Fund" hereby established pursuant to Section 48-933 Arizona Revised Statutes, as amended, and shall be applied to the payment of the principal of, premium, if any, and interest on the Bonds, by payment to the Bond Registrar pursuant

to the Bond Registrar and Paying Agent Agreement, the terms of which are incorporated herein by reference, as and when the same shall become due and payable. In addition, subject to the conditions set forth in the Notice, property owners subject to assessment may, at any time prior to the expiration of the term of this bond issue, pay off the assessments on any parcel of property, along with all applicable interest amounts as set forth in the Notice, plus a prepayment premium equal to five percent (5%) of the principal balance of the assessment which is paid in full. The proceeds of such payoffs shall be accounted for separately and shall, as provided in this Resolution, be transferred semiannually to the Bond Registrar and used to call Bonds for redemption prior to their maturity. Any payoff monies received prior to their transfer to the Bond Registrar shall be invested by the Treasurer in lawful investments as prescribed by statute for investing sinking funds of the State of Arizona or any political subdivision thereof, and the proceeds of such investments shall be applied to the redemption of Bonds prior to maturity. The Bonds shall not constitute a general obligation or indebtedness of the District or Navajo County, Arizona but shall be payable solely from the proceeds of said assessment installments or payoffs plus premiums and penalties as provided herein.

Section 9. The District covenants with the registered owners of the Bonds from time to time outstanding that, so long as any of the Bonds remain outstanding, monies on deposit in any fund or account in connection with the Bonds, whether or not such monies are derived from the proceeds from the sale of the Bonds, or from any other source, will not be used in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986 (the "Code"), and any and all regulations promulgated thereunder. Further, the District covenant that it will seek competent professional assistance to adequately assure compliance with the Code.

Section 10. Pursuant to Title 48, Chapter 6, Article 1, Section 48-935(H), Arizona Revised Statutes, as amended, a reserve fund is hereby established by the Board, such reserve fund to be funded first out of the proceeds of the sale of the Bonds, or if not sufficient in amount, out of an increase in the amount of the annual assessment installments over and above the amount required to pay principal and interest on the Bonds for the current year. The reserve fund shall be maintained in an amount equal to or greater than an amount equal to that proportion of the total annual assessment installment owing and due for a particular year times the percent, measured in dollars, of the previous years annual assessment installments which are or were not timely collected by the Treasurer, as compared to the total annual assessment installments for the year. In the first year, said percentage shall be determined by using Navajo County's general ad valorem taxes for the area encompassed by the District in lieu of the previous year's annual assessment installment. However, at no time shall the amount of funds in the reserve fund exceed ten percent (10%) of the total principal amount of Bonds issued hereunder. In addition, the Board covenants that in the event that sufficient revenues are not in the Bond Fund to pay any installment of principal or interest when due, that the Board may cause to be transferred into or paid into the Bond Fund, from any lawful source, sufficient monies to pay all principal and interest payments on the Bonds in a timely manner. The Board shall not, however, make any transfer into said fund which would cause the interest on the Bonds to no

longer be tax exempt, nor excluded from gross income for federal income tax purposes.

Section 11. The sale of the Bonds to _____ at a purchase price of \$_____ in accordance with their proposal dated _____, is hereby approved and the Chairman and the Clerk of the District are hereby authorized to indicate such approval by execution of such proposal submitted to the Board, and the Treasurer is hereby authorized to deliver the Bonds to the Bond Registrar for delivery to the purchaser upon receipt of payment of the purchase price thereof, including all principal, premium bid, if any, plus interest accrued from _____, to the date of payment therefore. The proceeds from the sale of the Bonds shall be deposited with the Treasurer and held for the credit of the District. The proceeds from the sale of the Bonds shall be applied to the payment of the cost of improving and paving certain roads within the Improvement District, and incidental expenses in accordance with the approved plans, specifications and bid documents prepared by the District Engineer, and to pay costs incurred in connection with the issuance of the Bonds. Pending use of the Bond proceeds, the Treasurer shall invest the Bond proceeds in any investments for which sinking funds of the State of Arizona or any political subdivision thereof may be invested or in the pooled investment fund established pursuant to Arizona Revised Statutes Section 35-326. Upon the approval of the assessment and the completion of construction, all monies remaining in the Construction Fund not expected to be used to pay (i) the final amounts owed to the Contractor, (ii) interest on the Bonds, or (iii) any final incidental expenses shall be transferred to the Bond Fund and be applied to the reduction of all assessments (such reduction shall include a refund to those persons who paid their assessments in cash) and then to the redemption of the Bonds.

Section 12. The payment of the cost of issuance in the following amounts is hereby approved and the Treasurer is authorized to immediately pay the demands for payment of the following persons upon receipt of said demands or invoices and the proceeds from the sale of Bonds plus prepaid assessments so long as the amounts demanded do not exceed the estimates on file with the Board. If such conditions are met, payment shall be made as if such demands were fully executed by and separately approved by the Board:

- a) Financial Consultant: \$ 5,000.00
- b) Law Office of John G. Gliege \$ 8,000.00
- c) Craig Stephenson \$ 372.14

This section does not preclude payment to any of the above-named parties for additional or other services rendered or to be rendered to the District for the Project.

Section 13. This Resolution constitutes a contract with the registered owners of the Bonds. Subsequent to delivery of any of the Bonds authorized herein, no material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto, may be made without the written consent of the registered owners of all the principal amount of the Bonds then outstanding; provided, however, that no

modification or amendment shall (i) permit a change in the maturity of such Bonds or in the rate or rates of interest thereon, or in the amount of the principal obligation thereof; or (ii) affecting the unconditional promise of the District to pay the principal of and interest on said Bonds as they shall become due from the monies in the Special Bond Fund; or (iii) reduce the percentage of Bondholders required to consent to any material modification or amendment of this Resolution, without the consent of all of the registered owners of such Bonds.

Section 14. If then permitted by law, the District may issue obligations for the purpose of refunding the Bonds or for any other lawful purpose payable from the assessments deposited in the Special Bond Fund created pursuant to Section 8 hereof; provided that, prior to or simultaneously with the issuance of such obligations, there shall have been irrevocably deposited with the Treasurer of the District or a bank or a trust company and pledged to the payment of the Bonds, cash in an amount sufficient, or direct obligations of, or obligations fully guaranteed by, the United States of America, the principal of and interest on which will be sufficient, to pay the principal of and interest on the Bonds as and when the same shall become due and payable. In addition, the District may at any time prematurely redeem such Bonds with monies from any lawful source, said redemption to be had and premiums to be paid in accordance with Section 4 hereof.

Section 15. All actions taken by the Board or the District Engineer with respect to the execution and circulation of the Notice and with respect to receiving and opening the bids and announcing the winning bidder are hereby ratified and confirmed, all prior acts of the Board, the Superintendent of Streets, and the District Engineer are hereby ratified and confirmed.

Section 16. The Board hereby ratifies the form of the Notice Inviting Proposals for the Sale of Bonds.

Section 17. The Board ratifies the certification of the assessment roll by the Superintendent of Streets.

Section 18. The Board hereby ratifies all proceedings taken in this matter to date.

Section 19. The Board ratifies the acts of the Chairman in signing the contract for the construction of the improvements within the District.

Section 20. The Board hereby ratifies the Official Statement of the District with respect to the Bonds, said Official Statement dated July 30, 1990.

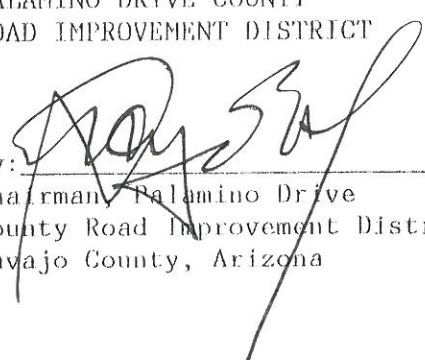
Section 21. The Chairman of the Board, and the Clerk of the Board are hereby authorized to execute the Closing Certificates for the sale of the Bonds.

Section 22. The Chairman of the Board is hereby authorized to execute the Registrar and Paying Agent Agreement for the Bonds.

Section 23. The Board of the District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. The District certifies that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986) which will be issued for or by the District in calendar year 1992 will not exceed \$10,000,000.

ADOPTED this 29th day of June, 1992.

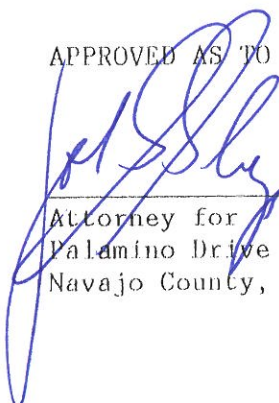
PALAMINO DRIVE COUNTY
ROAD IMPROVEMENT DISTRICT

By: 
Chairman, Palamino Drive
County Road Improvement District
Navajo County, Arizona

ATTEST:

Donna S. Williams
Clerk - Acting

APPROVED AS TO FORM:


Attorney for
Palamino Drive County Road Improvement District
Navajo County, Arizona

AUTHDIR.RES/PALAMINO

United States of America
State of Arizona
County of Navajo
Palamino Drive County Road Improvement District

PALAMINO DRIVE COUNTY ROAD IMPROVEMENT DISTRICT
NAVAJO COUNTY, ARIZONA
ROAD IMPROVEMENT BOND OF 1992

REGISTERED OWNER:

PRINCIPAL AMOUNT:

INTEREST RATE: _____% per annum

MATURITY DATE:

ORIGINAL ISSUE DATE: July 1, 1992

CUSIP:

KNOW ALL MEN BY THESE PRESENTS that the Palamino Drive County Road Improvement District, Navajo County, Arizona, a duly organized improvement district (the "District") promises to pay to the registered owner hereof, or registered assigns, solely from the sources hereinafter specified, on the maturity date specified above, the principal amount stated above together with interest on said amount at the interest rate per annum stated above, said interest payable semiannually on the first day of January and July of each year commencing on January 1, 1993, unless prior to the maturity date stated above, this Bond is redeemed by the District. Interest will be computed on the basis of a 360-day year of twelve thirty-day months.

Both principal and interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check or draft payable to the order of and mailed to the registered owner hereof at the address shown on the registration books maintained by the Bond Registrar at the close of business on the 15th day of the calendar month next preceding the interest payment date. Any interest which is not timely paid or for which provision has not been duly made shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date, and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever monies become available for payment of the overdue interest, and notice of the special record date shall be given to registered owners of the Bonds not less than ten days prior thereto. The principal, final installment of interest and any premium will be paid when due to the registered owner hereof upon surrender of this Bond for payment at the designated office of the Bond Registrar and Paying Agent, which on the original issue date is the principal corporate trust office of the Valley National Bank of Arizona. The Bond Registrar and Paying Agent may be changed without notice.

The Bonds are subject to redemption prior to their respective maturities. Bonds are subject to redemption prior to maturity, in whole or in part, on January 1, 1993, or any interest payment date thereafter, by the payment of the principal amount of each Bond called for redemption, plus a premium equal to a percentage of the principal amount as set forth below:

<u>Redemption Dates</u>	<u>Premium</u>
January 1, 1993 through and including July 1, 1994	103.0%
January 1, 1995 and July 1, 1995	102.5%
January 1, 1996 and July 1, 1996	102.0%
January 1, 1997 and July 1, 1997	101.5%
January 1, 1998 and July 1, 1998	101.0%
January 1, 1999 and July 1, 1999	100.5%
and thereafter without premium	

The first Bond to be redeemed shall be selected by lot from the maturity midway to the end of the term of the Bonds from the date of redemption. Successive Bonds shall be selected by lot from the maturity on either side thereof commencing with the later adjacent maturity. When so called for redemption this Bond will cease to bear interest on the date fixed for redemption if on that date funds sufficient for such redemption are on deposit at the place of payment.

Not more than thirty (30) nor less than fifteen (15) days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any registered owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to the registered owners of other Bonds.

The Bond Registrar will maintain the books of the District for the registration of ownership of each Bond as provided in the Bond Resolution.

This Bond may be transferred on the registration books upon delivery hereof to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership in the registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Bond Resolution. The District or the Bond Registrar will charge the registered owner of such Bond for every such transfer of a Bond an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require

that such transfer fee, tax or governmental charge be paid before any such new Bond shall be delivered.

The District and the Bond Registrar will not be required to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or to transfer any Bonds which have been selected or called for redemption.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF. THOSE PROVISIONS SHALL HAVE THE SAME EFFECT FOR ALL PURPOSES AS IF SET FORTH ON THE FACE HEREOF.

This Bond is issued pursuant to the laws of the State of Arizona, and is one of an issue of Bonds of like tenor and date for the total sum of \$175,00 in aggregate principal amount issued pursuant to Resolution No. _____ (the "Resolution"), adopted on June 29, 1992, for that certain improvement in said District consisting of the grading, filling and paving of certain roads within the Palamino Drive County Road Improvement District (the "Improvement District") initiated by Resolution No. 9-92 adopted on January 20, 1992, and is payable only out of the special fund to be collected from special assessments imposed on the lots or parcels of land fronting on or benefitted by said improvement within the Improvement District. Said special fund is set apart by law for the payment of the Bonds and can be used for no other purpose. It is hereby certified and declared that the improvement for which this issue of Bonds is issued is authorized by law, that all the acts, conditions and things required to be done, precedent to and in the issuing of this issue of Bonds, have been done and performed in regular and due form as required by the laws of the State of Arizona and Resolutions of said District, that the special assessments out of which said Bonds are to be paid are first liens on the property assessed, subject only to the lien for general taxes and prior special assessments, and any bona fide purchaser for value of this Bond has the right to rely on the recitals herein contained. For the assessment or reassessment, collection and payment of said special assessments, the full faith and diligence of said District are hereby irrevocably pledged.

This Bond shall not be entitled to any security or benefit under the Resolution or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar.

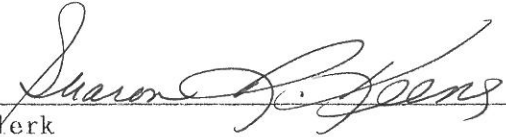
IN WITNESS WHEREOF, the Board of Directors of the Palamino Drive County Road Improvement District, Navajo County, Arizona has caused this Bond to be executed in the name of said District by the facsimile signature of the Chairman of the Board of Directors of the Palamino Drive County Road Improvement District, Navajo County, Arizona, and countersigned by the facsimile signature of the Clerk of the Board of Directors of Palamino Drive County Road Improvement District, Navajo County, Arizona.

PALAMINO DRIVE COUNTY
ROAD IMPROVEMENT DISTRICT
NAVAJO COUNTY, ARIZONA

By: 

Chairman, Board of Directors
Palamino Drive County
Road Improvement District
Navajo County, Arizona

COUNTERSIGNED:



Clerk
Palamino Drive County
Road Improvement District

DATE OF AUTHENTICATION AND REGISTRATION:

AUTHENTICATION CERTIFICATE

This Bond is one of the Palamino Drive County Road Improvement District Road Improvement Bonds of 1992, described in the Resolution mentioned heretofore in this Bond.

Valley National Bank of Arizona
as Bond Registrar

By: _____
Authorized Representative

The District, the Registrar and the Paying Agent may treat the registered owner of this Bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes, and none of them shall be affected by any notice to the contrary.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship
and not as tenants in common

UNIF GIFT/TRANS MIN ACT - _____ Custodian _____
(Cust) (Minor)

under the Uniform Gifts/Transfers to Minors
Act _____
(State)

Additional abbreviations may also be used though not included in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Name and address of transferee)

the within Bond and all rights thereunder, and hereby irrevocably
constitutes and appoints _____
attorney to transfer the within Bond on the books kept for registration
thereof, with full power of substitution in the premises.

Dated: _____

Note:

The signature(s) on this assignment must correspond with the
name(s) as written on the face of the within registered Bond in
every particular without alteration or enlargement or any change
whatsoever.

Signature Guaranteed:

(Commercial Bank, Trust Company or
Member of a National Securities Exchange)

ALL FEES AND COSTS OF TRANSFER SHALL BE PAID BY
THE REGISTERED OWNER HEREOF ON THE DATE OF TRANSFER

BOND.RID/PALAMINO